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IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re)	Case No. 09-38458-rld11
Aircraft Investor Resources, LLC,)	
)	CERTAIN CREDITORS'
)	OBJECTION TO ER1, LLC'S
Debtor.)	MOTION TO CONVERT CASE
)	FROM CHAPTER 11 TO
)	CHAPTER 7

Douglas King, Alf Heim III, LLC, Burk Aircraft, LLC, Independent Technologies Inc., Lindsay Assets, LLC, Omar Ratti, Pelota Aviation LLC, Thomas P. Ziegler, Schaffer Industries, Herin Aviation, LLC, et al., creditors in the above-referenced case (hereinafter the "Certain Creditors"), object to the Motion to Convert Case from Chapter 11 to Chapter 7 (Docket #85) (the "Motion to Convert") filed by ER1, LLC, and in support thereof state as follows:

BACKGROUND

It is important that this Court be apprised of the context underlying the ER1 LLC Motion to Convert:

1. ER1, LLC ("ER1") is an entity co-owned by a company controlled by Rick

Schrameck called Quick Turn. The Certain Creditors believe that Quick Turn, Shrameck and possibly other LLC's in which Shrameck has an interest have engaged in fraudulent and/or self-dealing activities during Shrameck's tenure as the chief executive officer of Aircraft Investor Resources, LLC (the "Debtor").

2. ER1 is both the "sublessee", from the Debtor, of the premises located at 22590 Nelson Road, Bend, Oregon (the "Facility"), and the "sub-sublessor" and "landlord" to the Debtor and others of the same Facility.

3. One of the events precipitating the filing of this Chapter 11 case was ER1's purported "eviction" of the Debtor from the Facility, since which time ER1 has barred the Debtor from entering the Facility. As the Debtor put it, "Mr. Schrameck (as landlord) evicted his own company (as tenant)." See Motion of Aircraft Investor Resources, LLC (the "Debtor") to Reject Ground Lease and Sub-Lease Thereunder (Docket #67), at ¶ 11. This "eviction" appears to have been wrongful. Jeff Sanders, the person in charge of the Debtor until recently, stated under oath that "the Debtor/tenant was not in default of the [purported ER1 sub-sublease] and the reentry and continued possession by [ER1] was and is unlawful." See Declaration of Jeff Sanders, dated September 25, 2009, at ¶ 12.¹ ER1 now claims an alleged "security interest in all property owned by the Debtor." See Motion to Convert at ¶ 11.

4. The Certain Creditors question ER1's motives in filing the Motion to Convert, and dispute many of ER1's contentions, including the following:

- (a) That ER1 is the "owner" of the improvements at the Facility;
- (b) That ER1 has any rights as "landlord" to the Debtor;

¹ A copy of this Declaration, which was originally filed in the Bankruptcy Court for the District of Nevada, is attached to the Motion for Appointment of Chapter 11 Trustee filed by the Certain Creditors on October 20, 2009 (Docket #73), as Exhibit C.

- 1 (c) That ER1 has a lien or security interest against any property of the
 2 Debtor;
 3 (d) That the “sublease” and “sub sublease” between ER1 and the
 4 Debtor and others are true or valid lease transactions;
 5 (e) That ER1’s “eviction” of the Debtor was proper or lawful; and
 6 (f) If the “sub sublease” is ultimately determined to be a true or valid
 7 lease, that it was effectively terminated prepetition.

8 **APPOINTMENT OF A CHAPTER 11 TRUSTEE, NOT CONVERSION, IS**
 9 **IN THE BEST INTERESTS OF CREDITORS**

10 5. ER1 argues conversion is appropriate because “substantial and continuing
 11 loss” to the Debtor’s estate is occurring as a result of this Chapter 11 proceeding. See
 12 Motion to Convert at pp.8-9. This concern is overstated. The Debtor is not operating,
 13 as ER1 concedes, has no employees and should not be incurring significant obligations
 14 at this time. This case is only weeks old, and to the extent ER1 complains that the
 15 costs of this Chapter 11 case are “diminishing the potential recovery of creditors,” *id.* at
 16 p.8, the Certain Creditors note that ER1 does not speak for them, and they do not at this
 17 time agree with its concerns.²

18 6. It is premature and unnecessary to convert this case to Chapter 7. The
 19 creditors in this case – whose interests should be paramount – are beginning the
 20 process of evaluating various options to maximize estate value and their ultimate
 21 recovery. These options may eventually include conversion of the case, of course, but
 22 at this time they also include the possibility of funding, if necessary, and under
 23 appropriate conditions and circumstances (including an evaluation of Debtor’s available
 24

25 ² ER1 is a creditor of the Debtor (albeit a disputed one), but its interests are adverse to
 26 those of most, if not all, other creditors in this case. Accordingly, what benefits ER1 in
 this case does not necessarily benefit other creditors, and in all likelihood harms them.

1 cash and other resources), a Chapter 11 reorganization or liquidation. The Certain
2 Creditors believe that conversion of this case at this particular time is not in the best
3 interest of creditors.

4 7. ER1 also argues that conversion is appropriate because there has been
5 gross mismanagement of the estate. See Motion to Convert at pp.9-10. While the
6 Certain Creditors agree, ER1, which is co-owned by an entity controlled by Schrameck
7 – the very person accused of the mismanagement – should not be the party to
8 determine the appropriate remedy for such mismanagement. Similarly, ER1's complaint
9 that it is "being forced to involuntarily extend credit" to the Debtor, *id.* p.11, must be
10 taken with a large grain of salt. As discussed above and in other papers filed by the
11 Certain Creditors, ER1 appears to have a complicated, dubious relationship with the
12 Debtor and other affiliated, Schrameck-controlled entities. The Debtor has forcefully
13 stated that earlier in this case that it believes ER1's "eviction" of the Debtor was
14 improper and unlawful. Until these issues have been investigated and resolved, the
15 Court should not convert this case – or take any other action – on the basis that ER1 is
16 somehow being economically harmed by the Debtor.

17 8. Finally, ER1 points to the apparent lapse of the Debtor's business
18 insurance. See Motion to Convert at p.10. The Debtor is not currently operating and
19 does not need business insurance at this time. A basic fire insurance policy covering
20 the assets should be relatively easy and inexpensive to obtain.

21 9. The best interests of creditors will be served by the administration of this
22 case in Chapter 11 at this time – not by conversion. ER1 is the only party in interest in
23 this case that argues for immediate conversion. No other creditors have so moved and
24 even the Debtor opposes conversion. On the other hand, multiple creditors have moved
25 for the immediate appointment of a Chapter 11 trustee.

26 ////

1 WHEREFORE, the Certain Creditors respectfully request that the Court deny the
2 relief requested in the Motion to Convert.

3 Dated: October 23, 2009

4 SUSSMAN SHANK LLP

5 /s/ Susan S. Ford

6 By: _____

Barry P. Caplan, OSB No. 650178

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8 Attorneys for Douglas King, Alf Heim III, LLC,
9 Burk Aircraft, LLC, Independent Technologies
10 Inc., Lindsay Assets, LLC, Omar Ratti, Pelota
11 Aviation LLC, Thomas P. Ziegler, Schaffer
12 Industries, Herin Aviation, LLC, et al.

13 F:\CLIENTS\20686\001\PLEADINGS\P-OBJ ER1 MOT CON F.DOC

CERTIFICATE OF SERVICE

I, Linda R. Scott declare as follows:

I am employed in the County of Multnomah, State of Oregon; I am over the age of eighteen years and am not a party to this action; my business address is 1000 SW Broadway, Suite 1400, Portland, Oregon 97205-3089, in said County and State.

I certify that on October 23, 2009, I served, via first class mail, a full and correct copy of the foregoing **CERTAIN CREDITORS' OBJECTION TO ER1, LLC'S MOTION TO CONVERT CASE FROM CHAPTER 11 TO CHAPTER 7**, to the parties of record, addressed as follows:

See attached service list.

I also certify that on October 23, 2009, I served the above-referenced document(s) on all ECF participants as indicated on the Court's Cm/ECF system.

I swear under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: October 23, 2009.

/s/ Linda R. Scott

Linda R. Scott, Legal Assistant

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SERVICE LIST

In re Aircraft Investor Resources, LLC

Bky Case No. 09-38458-rld11

Via ECF

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